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INTERNATIONAL WHEAT AGREEMENT, 1986

OCTOBER 30 (legislative day, OCTOBER 16), 1987.—Ordered to be printed

Mr. PELL, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany Treaty Doc. 100-1]

The Committee on Foreign Relations, to which was referred the International Wheat Agreement, 1986, which was open for signature at the United Nations Headquarters, New York, from May 1, 1986, through June 30, 1986, and signed on behalf of the United States on June 26, 1986; consisting of (1) the Wheat Trade Convention, 1986; and (2) the Food Aid Convention, 1986, having considered the same, reports favorably thereon without amendment and recommends that the Senate give its advice and consent to ratification thereof.

COMMITTEE ACTION

The International Wheat Agreement was transmitted to the Senate on Janury 21, 1987.

The Foreign Relations Committee held a public hearing on the International Wheat Agreement on September 24, 1987. The committee heard testimony from Ralph R. Johnson, Deputy Assistant Secretary of State for Trade and Commercial Affairs, and Jim Miller, President of the National Association of Wheat Growers.

At it business meeting on October 21, 1987 the committee voted 19-0 to report the International Wheat Agreement, 1986, favorably to the Senate with the recommendation that the Senate give its advice and consent to ratification. Ayes: Senators Pell, Biden, Sarbanes, Cranston, Dodd, Kerry, Simon, Sanford, Adams, Moynihan, Helms, Lugar, Kassebaum, Boschwitz, Pressler, Murkowski, Trible, Evans, and McConnell.

S384-7

Entry Into Force

Both the Wheat Trade Convention, 1986, and the Food Aid Convention, 1986, entered into force on July 1, 1986. Full U.S. participation in the agreement will occur following the deposition of instruments of ratification to both Conventions.

Text of Resolution of Ratification

Resolved (two-thirds of the Senate present concurring therein), That the Senate advise and consent to the ratification of the International Wheat Agreement, 1986, which was open for signature at the United Nations headquarters, New York, from May 1, 1986, through June 30, 1986, and signed on behalf of the United States on June 26, 1986; consisting of (1) the Wheat Trade Convention, 1986; and (2) the Food Aid Convention, 1986.

Background

The United States has been a party to international wheat agreements since 1949. The pending agreement will replace the International Wheat Agreement, 1971, which, having been extended by protocols, expired on June 30, 1986.

The International Wheat Agreement consists of two parts: the Wheat Trade Convention, 1986, and the Food Aid Convention, 1986. These conventions were signed for the United States by Ambassador Okun at the United Nations Headquarters on June 26, 1986, and submitted to the President on December 11, 1986. The conventions were transmitted to the Senate.

Purpose and Summary of the Wheat Trade Convention

The Wheat Trade Convention is a purely consultative agreement designed to facilitate the exchange of information about the world grain market and to provide a forum for the discussion of grain trade issues. The principal function of the convention is to gather and disseminate information on grain market conditions, national policies and their effect on the international market, and developments concerning the improvement and expansion of trade, utilization, storage, and transportation, especially in developing countries.

Part I, Articles 1 through 8 of the Convention, establishes the framework for cooperation in carrying out the functions outlined above. Part I includes a statement of objectives, definitions, and reporting and recording requirements. Part I also includes provisions relating to commercial and so-called special, or concessional, transactions. The convention requires members to conduct concessional grain transactions in such a way as to avoid harmful interference with the normal patterns of international commercial trade.

Article 2, subsection (e) of the Convention expands the scope of the agreement to cover wheat, wheat flour, rye, barley, oats, maize, millet and sorghum and such other and products as the Council may decide.

Part II, Articles 9 through 22, outlines the administrative provisions of the Convention. The convention is administered by the International Wheat Council, a London based organization estab-

lished in 1949 by the first International Wheat Agreement. All parties to the Convention are members of the Council. The Council has legal personality and thus has the capacity to enter contracts and to institute legal proceedings.

For voting purposes, nations on the Council are divided into two blocs: grain exporters and grain importers, each with a total of 1,000 votes. Any decision reached by the Council must be supported by a majority vote in each bloc.

Expenses necessary for the administration of the Convention are met by assessed annual contributions from all members. Dues are calculated on a per vote basis; in crop year 1987-88, each member was assessed 485 British Pounds Sterling (roughly $800) per vote.

Article 16 of the Agreement establishes the Sub-committee on Market Conditions which bears the principal responsibility for monitoring all matters affecting the world grain economy.

Article 22 of the Agreement states that, "the Council shall at an appropriate time examine the possibility of the negotiation of a new international agreement or convention with economic provisions."

Part III, Articles 23 through 34 set out the final provisions of the Agreement, including those articles dealing with signature, ratification, provisional application, and accession to the treaty.

Article 33 subsection (2) gives the Wheat Council the authority to extend the agreement for successive periods not to exceed 2 years.

There are three notable differences between the Wheat Trade Convention, 1986 and its predecessor. First, as noted previously, the Convention has been expanded to cover certain non-wheat grains. Second, the tone of the new convention has been changed to deemphasize the ultimate necessity of reestablishment of price and economic provisions. Finally, the convention can be extended by a vote of the Council, extensions would no longer require the advice and consent of the Senate.

Purpose and Summary of the Food Aid Convention

As established in Part I of the Food Aid Convention, 1986 is designed to secure, "the achievement of the World Food Conference target of at least 10 million (metric) tonnes of food aid annually to developing countries in the form of grain suitable for human consumption (.)" A floor level of food aid assistance is established at 7.6 million tons per year.

The United States' commitment under this program is 4,470,000 metric tonnes, and is fulfilled by our authorized food aid programs under P.L. 480, the Agricultural Trade and Development Act of 1954, as amended.

Part I, Articles 1 and 2, of the Convention establishes the agreement's objective, as outlined above, as well the definitions used in the agreement.

Part II, Articles 3 through 15, contains the main provisions of the Convention, including the establishment of each member's minimum annual contribution as well as the terms of food aid contributions and the methods of channelling these contributions to recipients.

The Convention is administered by the Food Aid Committee, based in London. All decisions by the committee are reached by consensus.

Article 8 of the Convention gives the committee the ability to respond to food shortage emergencies by making recommendations that members increase the amount of food aid available.

Part III, Articles 16 through 26, of the Convention lays out the final provisions, including those articles dealing with signature, ratification, provisional application, and accession to the treaty.

Article 22 subsection (2) gives the Food Aid Committee the authority to extend the Convention for successive periods not to exceed 2 years as long as the Wheat Trade Convention remained in force during the period of the extension.

Committee Comments

The committee finds that the United States has borne an excessively large burden in adjusting agricultural producion to global oversupply conditions. The committee is concerned that storage costs for commodities in the 1986 fiscal year cost U.S. taxpayers over $700 million. The committee notes that storage costs for the most recent fiscal year are estimated to be in excess of $1.2 billion.

The committee is also concerned that domestic farm programs aree requiring U.S. farmers to set aside increasing amounts of their land in efforts to reduce overproduction, and that these reductions have not been fully effective, in part because of a lack of coordination with other agricultural producers. Despite United States' efforts, world supply of agricultural products is growing at a faster rate than world demand.

The committee believes the Wheat Trade Convention offers a ready made structure for facilitating coordination among agricultural producers as well as between exporters and importers. The committee urges the administration to use the forum provided by the Wheat Trade Convention to open discussions with the appropriate members of the Convention, including such major agricultural producers as the European Community, Argentina, Brazil, Australia, and Canada, with the goal of reducing global agricultural surpluses and improving the prices received by our nation's farmers.

At the same time, the committee believes the United Sates' efforts to reduce the unfair subsidies of our competitors in the international agricultural market will be enhanced by fully informing those competitors, through all available means, of our naiton's determination to oppose unfair subsidies that have harmed our nation's farmers' financial condition.

The committee urges the administration, through its representatives to the Convention, to clearly explain United States 1) concern about continued use of unfair trading subsidies by competitors, 2) desire to see unfair trading practices ended as quickly as possible, and 3) determination to implement appropriate and legislatively required actions to protect export markets and the U.S. agricultural base should significant progress not be forthcoming.

The committee also finds that the United States has been in arrears in its contributions to the Wheat Council, that the United States has lost its voting rights on the Council because of these ar-

rearages, and that in its budget requests for the current fiscal year, the administration has not requested sufficient funds to meet the anticipated U.S. contribution for Wheat Council.

The committee is deeply concerned about this situation and stongly urges the administration to restore full funding for the Wheat Trade Council for several reasons. The Council plays a valuable role both as a forum for the discussion of grain trade issues and as an important source of statistical information about the grain trade. In addition, as the administration has testified, the Council could be a "major playing field for multilateral negotiations on grain trade matters(.)" in connection with the Uruguay round of the GATT negotiations.

APPENDIX

EXCERPT FROM HEARING OF SEPTEMBER 24, 1987

Senator SANFORD. Now we have separated the wheat from the tuna. The second part of our hearing this morning is an agreement, the 1986 International Wheat Agreement.

This agreement continues a tradition of U.S. involvement in wheat agreements that stretches back to 1949.

The new agreement contains two parts. The first is the Wheat Trade Convention of 1986, a purely consultative agreement designed to facilitate the exchange of information about the world grain market.

The convention also provides a forum for the discussion of grain trade issues.

The second part of the wheat agreement is the Food Aid Convention of 1986. This convention is designed to secure the achievement of the World Food Conference target of at least 10 million tons of food aid annually to developing countries in the form of gain suitable for human consumption.

The U.S. contribution to this program is 4,470,000 metric tons.

Today we have two witnesses: Mr. Ralph Johnson, Deputy Assistant Secretary of State for Trade and Commercial Affairs; and Mr. Jim Miller, president of the National Association of Wheat Growers.

The International Wheat Agreement of 1986 contains several changes from its predecessor, and we look forward to hearing the testimony of Mr. Johnson and Mr. Miller about this new agreement.

I think perhaps it would be appropriate for us to start with Mr. Johnson.

STATEMENT OF RALPH R. JOHNSON, DEPUTY ASSISTANT SECRETARY FOR TRADE AND COMMERCIAL AFFAIRS, DEPARTMENT OF STATE

Mr. JOHNSON. Thank you, Mr. Chairman.

You have summarized very well the basic content of these agreements.

With your permission, I would like to enter a statement into the record, but I will summarize my remarks.

Senator SANFORD. We shall certainly enter your statement in full.

Mr. JOHNSON. Thank you for the opportunity to speak in support of these two agreements.

As you have said, the agreement which we are talking about consists of two parts: the International Wheat Convention of 1986, and the Food Aid Convention of the same year. They entered into force in July 1986. The Wheat Trade Convention will be in force until June 30, 1991, and the Food Aid Convention until June 30, 1989.

This agreement, as you have said, Mr. Chairman, represents the latest in a continuing series of agreements, which have evolved since they began in 1949.

They have changed in line with changing world conditions. The current version, which is consultative and informational, as opposed to attempting to organize world wheat markets, dates back to 1971. This approach of two conventions, incorporating a food aid commitment, dates to 1967.

This convention authorizes the Wheat Council to serve as a forum for discussion of policies and an opportunity to exchange views on matters of trade in grains, and to collect, analyze, and disseminate information on the international grain situation.

There are some noteworthy changes in the 1986 convention. It strengthens the consultative role of the organization, and for the first time, it broadens coverage to include coarse grains, as well as wheat.

The 1986 convention also removes some earlier language, which had been controversial from our perspective, which contemplated the ultimate reestablishment of price and economic provisions in the convention.

I should note, however, that article XXII of that document continues to allow the possibility to negotiate a new international agreement with economic provisions.

The Food Aid Convention replaces its predecessor of 1980. It maintains previous commitments to provide minimum annual quantities of cereals food aid to developing countries.

As you have said, the commitment in our case amounts to 4,470,000 metric tons. I would like to note that this is an amount that is well within our Public Law 480 authorization.

The contribution that we make is made up of commodities that are sold or donated under Public Law 480, or through other bilateral or multilateral aid programs.

The convention attempts to share burdens among food aid donors. You have mentioned our desire for ultimately a 10 million ton floor for food assistance. This agreement does not attain that goal, but it reaches a level of 7.6 million tons per year as the floor for food assistance.

There are opportunities for regular consultations to review those levels, and to respond to shortfalls that may develop in various parts of the world.

It is worth noting, given the fact that these agreements entered into force in July 1986, that we have received an extension of time, to June 30, 1988, to deposit our instrument of ratification for the New International Wheat Agreement.

With regard to the share that we pay of the overall budget of the Wheat Council, that share is about 15 percent. It is one of the lowest of any contributions that we make to any organization. Translates that into dollar terms and it amounts to approximately

$250,000 per year, varying with exchange rates since the assessments are fixed in British pounds.

We have found over the years that the Secretariat of the Wheat Council has been very competent. It is a small group, approximately 30 people. They collect and they provide information that is of use to us and to other participants in the agreement very efficiently, and have widely been recognized as among the more efficient secretariats of their kind.

I would add also that, during a time when we are beginning international negotiations in the GATT on agriculture, as well as on other subjects, this agreement has traditionally worked closely with the General Agreement on Tariffs and Trade. It is our view that the experience gained in previous multilateral trade rounds will have an opportunity, should have an opportunity, to be applied, if this agreement is ratified, in the ongoing round of international trade negotiations that is commencing in Geneva.

Mr. Chairman, for all of the reasons I have outlined above, the administration urges the Senate to give its advice and consent to the ratification of the Wheat Agreement of 1986.

I would be pleased to try to respond to any questions which you or other Senators may have.

[The prepared statement of Mr. Johnson may be found in the appendix.]

Senator SANFORD. Thank you. We will come back with questions after we have heard from Mr. Miller.

STATEMENT OF JAMES MILLER, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, WASHINGTON, DC

Mr. MILLER. Thank you, Mr. Chairman, members of the committee.

I am Jim Miller, a wheat farmer from Garfield, WA. This year I am privileged to serve as president of the National Association of Wheat Growers. As their representative, it is certainly an honor to appear before this committee and to testify on behalf of ratification of the International Wheat Agreement.

You have my complete statement, as well as some attached documents. I would ask that those be entered into the record, and in the essence of time, I will summarize my comments.

Senator SANFORD. They will be so entered.

Mr. MILLER. Mr. Johnson certainly has outlined the major items included in the agreement and the reasons that we believe that agreement should be ratified. I would just like to offer a few other comments concerning the two provisions of the agreement.

The Wheat Trade Convention provides an opportunity for the wheat industry in the United States, the growers as well as traders, and the wheat industry internationally to have access to very fully developed and quite accurate statistics concerning trade in the wheat industry.

As we move to a more competitive world in terms of attempting to sell U.S. products overseas, it is important that we have access to those statistics. The private sector, as well as a number of Federal agencies, such as the Department of Agriculture and the U.S.

Trade Representative's Office, as well as many others, do utilize those statistics in conducting their affairs.

As a second part of that convention, the opportunity to provide a forum for the discussion of many international matters that affect wheat trade is equally important, particularly now as we move forward with a new round of GATT negotiations.

The International Wheat Council, which administers the International Wheat Agreement, has provided in the past opportunities for major players in the world wheat trade, to join together and discuss problems.

I think that that service is certainly going to be important in the near term during these multinational trade negotiations, and will remain important as a service to the wheat industry for a long time to come.

The Food Aid Convention equally is very important to the United States, not only to the wheat producer, but also, I believe, to the general populace of the United States, in terms of ensuring that we do maintain food aid commitments to needy countries around the world.

The United States generally has been far in excess of the baseline commitment. We had committed approximately 58.7 percent of the total food aid commitment under the Food Aid Convention, and yet we have exceeded that and are now providing about two-thirds of the total commitment. I think this is something that we in this country should be very proud of.

We believe that the International Wheat Agreement does provide a very valuable service, that it is an important agreement to the wheat producer, to the wheat trade in the United States, and to the people of the United States.

Because it is in such severe financial constraints right now and due to the delinquency that we have had in maintaining our commitments, we feel that speedy ratification of this agreement is very important, so that we can get back to the point of ensuring that the International Wheat Council can maintain its vital source of information, opportunities for discussion, and ensure that our food aid is effectively being distributed to provide occasions to assess those very necessary opportunities for us.

Mr. Chairman, thank you very much. I would be pleased to answer the committee's questions.

[The prepared statement of Mr. Miller may be found in the appendix.]

Senator SANFORD. Thank you very much.

I will call first on Senator Evans.

Senator EVANS. Thank you, Mr. Chairman.

First, let me welcome Jim Miller, a colleague from the State of Washington. I am delighted that you are serving this year as president of the National Association of Wheat Growers.

Not many people may realize this, that Washington consistently ranks among the top States in the Nation in terms of its production of wheat. I'm sure most people recognize Kansas as a breadbasket in terms of wheat.

Mr. Johnson, let me begin with you. I am curious about some of the background of this especially in terms of the distribution of voting.

This is curiously more than anything else. There are about 35 or 40 nations involved here, divided, as I understand it, into two groups: exporters and importers.

Is that essentially correct?

Mr. JOHNSON. That's correct, Senator.

Senator EVANS. Certainly there are more importers of wheat than that. Are these just the ones who have chosen to become part of this operation?

Mr. JOHNSON. Yes, Senator.

It is a voluntary organization, so not all have chosen to become participants. Of course, not all have chosen to take on commitments with respect to food aid. The level of commitments that individual countries have been willing to take on has been a matter of discussion over time.

Senator EVANS. Only the exporting nations are the ones, then, that take on the food aid responsibility?

Mr. JOHNSON. Well, there are some countries which, though not necessarily producers themselves, some Middle Eastern countries, for example, have taken on financial obligations—though they are not necessarily exporters of grain themselves.

Senator EVANS. Is that a voluntary responsibility, outside of the call of the treaty itself?

Mr. JOHNSON. Well, participation is voluntary. Also, though there is obviously discussion on what is an appropriate level of commitment in terms of the food aid that would be provided by each country, there are no hard and fast rules within the agreement that determine what that level is.

Senator EVANS. How is the voting distribution decided under the treaty?

Mr. JOHNSON. Mr. Chairman, I may have to provide you with information to clarify this point. But my understanding is that the voting distribution is determined based more closely on the question of market participation, in the case of the exporters, for example. I may have one of my staff here who can correct me if I have made an egregious error. The voting distribution, or votes are determined based on our participation in international markets.

[The information referred to follows:]

For the record, Mr. Johnson indicated that the voting system under the 1986 Wheat Trade Convention differs in several important respects from its predecessor in the 1971 Convention. There are now two separate lists of votes which serve different purposes. The first list, established under Article 11 of the Convention at the time of its negotiation, specifies individual member votes which come to a total of 2,000, with no distinction between exporting and importing members. It is used (i) to determine whether the conditions have been met for the entry into force of the Convention; and (ii) for the assessment of members' financial contributions. The allocation of votes under Article 11 ws negotiated at the time of the establishment of the Convention and is set out in the Annex to it. It is subject to revision whenever the membership of the Convention changes, and to renegotiation after three years and whenever the Convention is extended. (The allocation of votes under Article 11 was revised at the July 1987 Session of the International Wheat Council, so that the revised distribution of votes for the United States was 320 for purposes of assessment of contributions during crop year 1987/88.) The second list of distribution of votes, established under Article 12, applies for all other purposes (e.g. when a matter under discussion in the Council has to be settled by a vote). It also totals 2,000 votes but distinguishes between exporting and importing members, each group holding 1,000 votes. The Council itself determines whether countries are to be listed as exporting or importing members, taking into account their wheat trading patterns

and their own views. This list is also subject to renegotiation after three years or when the Convention is extended.)

Senator EVANS. It seems to me that that changes rather substantially year by year, does it not? Would it be accurate to say. Mr. Miller, that we would like to participate more in the international market in the sale of wheat than we do currently?

Mr. MILLER. That is certainly correct, Senator.

Mr. JOHNSON. Senator, if I may say, this is an organization in which the voting has to be seen in the context of what the organization does. Voting is not a common practice in the organization since it does not have responsibilities, for example, in the case of a buffer stock organization, for decisions on price ranges. These are not the kinds of decisions which are specifically taken within the organization. So I think the role of voting is there are fewer decisions which require votes.

Senator EVENS. I understand that.

As I said, it was more curiosity than anything else. For instance, the European Economic Community had 436 votes, compared to the 320 for the United States.

Mr. JOHNSON. Right.

Senator EVANS. This would seem to indicate that they were a bigger participant in the international grain market than the United States, which I find hard to believe.

Mr. JOHNSON. Well, unfortunately, from our perspective as exporters, the Community's Common Agricultural Policy has been a very effective creater of additional supply. So it has become the source of new competition for us in the marketplace.

Senator EVANS. A new competition. Perhaps they are more into the export market. But I would guess their total production, including internal and export markets is less than ours—well, maybe they have achieved the same level as ours by now.

Mr. JOHNSON. It's amazing what subsidies can do.

Senator EVANS. When they can start planting and growing wheat in Britain, those subsidies are pretty good.

I understand that we are delinquent in our dues, and part of that is because we have not ratified this new treaty. But it is also my understanding that the administration only asked for an amount of money that was perhaps half the amount that is required for this coming year. How come?

Mr. JOHNSON. Let me take those pieces one at a time, if I may, Senator.

In the first instance, since that agreement has not been ratified, therefore, it is not a treaty, in force for the United States, we have to draw for the resources for it from a different part of our State Department budget. That part of our budget has been severely cut. And, in fact, we have met only about 44 percent of our obligations to international organizations that arise under that part of our budget.

What I would add is that we are hopeful that if this agreement is ratified, we can then ultimately correct that situation. You accurately point out that our request for money in the coming fiscal year has fallen short of what our obligations would be to the organization. That is a reflection of budget choices that were made

within the administration, frankly given the budgetary constrictions under which it is operating.

Senator EVANS. Is that an alternative for saying that OMB decided this?

Mr. JOHNSON. You put it more delicately perhaps, Senator.

Senator EVANS. Thank you.

Senator SANFORD. Thank you.

Senator KASSEBAUM. Thank you, Mr. Chairman.

I would like to share with Senator Evans my appreciation for your bringing up this International Wheat Agreement Treaty. I think it is very important and I hope we will take immediate action soon—or immediate action, I should say. "Soon" goes without saying.

I would like to ask that my full statement be made a part of the record.

[The prepared statement of Senator Kassebaum follows.]

PREPARED STATEMENT OF SENATOR KASSEBAUM

Mr. Chairman, I commend you for calling this hearing on an important topic. Ratification of the International Wheat Agreement is a subject which I think deserves immediate action.

As you know, the United States has been involved in a series of intrnational wheat agreements since 1949. Since that time, the International Wheat Council, which administers the International Wheat Agreement, has been an important tool for both grain importers and exporters. It has been utilized by many countries as a course of information about world grain markets and to stimulate international dialogue on grain trade issues. I think these functions are especially relevant now with the rapid development of the agriculture sectors of third world nations and their interest in grain trade, utilization, storage, and transportation.

In addition to providing grain market information and serving as a forum for international discussion, the International Wheat Agreement has helped distribute millions of tons of food to developing countries. A stated goal of the 1986 Food Aid Convention, part of the International Wheat Agreement, is providing at least 10 million metric tons of food aid annually to developing countries for human consumption. Through P.L. 480, the United States fulfills its commitment under this program and helps supplement the diets of the people of many third world countries.

Expenses of the IWA are covered by contributions from all member nations. Due to the delay of the United States in ratifying the Agreement, we are approximately $125,000 delinquent in our dues for fiscal year 1987, and our fiscal year 1988 obligation remains unpaid. In my opinion, this is not the kind of reputation that the world's leading agricultural supplier needs to project. As the foremost exporter of agricultural commodities, wheat in particular, the United States should serve as an example in fulfilling its financial obligations under the IWA.

In addition, I understand that the People's Republic of China is considering membership in the International Wheat Council. Ratification of the Agreement and the payment of our contribution

would send a positive signal to the Chinese that we regard the Council as an important organization worthy of their membership.

In conclusion, Mr. Chairman, I would urge the Committee to act quickly and positively in reporting out the International Wheat Agreement. I think this is the kind of organization that typifies the attitudes we need in today's worldwide agricultural markets—cooperation and sharing of information rather than the cut-throat competition that seems to prevail today.

Senator KASSEBAUM. One of the questions that I wanted to ask concerned our dues and the fact that we are in arrears by $125,000, I believe, due to the delay in ratifying. Then, the new request for the 1988 budget is only $144,000, although the expected assessed contributions would be $235,000.

Is that correct, Mr. Johnson?

Mr. JOHNSON. Yes, Senator. I believe those figures are correct.

Senator KASSEBAUM. So, not to belabor this point, we are not only in arrears, but the 1988 request is short.

What happens at that juncture and how will we fill the shortfall? If we can't, what will be the result?

Mr. JOHNSON. Senator, let me explain what we hope will be the result of this process.

We will, hopefully, depending on the fate of the budget, be in a position to make additional funds available to the organization when our budget for this upcoming fiscal year is in hand.

That money will be taken by the organization. It will technically fulfill our obligations, or as much of them as it will meet, for this coming fiscal year. How they choose to apply that money is something of an open question.

It is possible that they would choose of their own volition to apply that money to our previous obligations, and that might then result in a restoration of our voting rights, which we lost in August.

Our plan then would be to submit a request, which would now deal with this organization as a treaty organization and seek to avoid this problem of being put into an account which has traditionally been cut more severely than the other accounts within our budget for international organizations.

Our hope would then be that, as we make this transition into requesting funds for a treaty organization, we will, together with our legal counsel and our budget people, be able to come up with a way to satisfy our obligations.

That will not happen in this coming fiscal year, and we are putting our minds to what the best way is.

We share your aspiration of eradicating this deficit.

Senator KASSEBAUM. Are other countries in arrears as well?

Mr. JOHNSON. There are some other countries who are in arrears. I could provide you with a list. I would have to say that the names do not come to mind at the moment.

[The information referred to follows:]

For the record, Mr. Johnson indicated that the following members, in addition to the United States, are currently in arrears on their financial contributions to the International Wheat Council: Algeria, Argentina, Bolivia, Ecuador, Egypt, Iran, Iraq, Morocco, Saudi Arabia, and Venezuela.

Senator KASSEBAUM. Is there any opposition to the International Wheat Agreement?

Mr. JOHNSON. Fortunately none that we have found.

This is a case in which the agreement has suffered the fate of other agreements, which were in an account for which there was not adequate money to cover all of the requirements.

As Senator Evans has observed, there have been difficulties in securing funds to cover all of our obligations as we submit budget requests.

Senator KASSEBAUM. Will the expanded coverage to the coarse grains mean additional costs?

Mr. JOHNSON. No, I don't think that that will mean additional budgetary costs for us.

Senator KASSEBAUM. Thank you, Mr. Chairman.

I would just say again that I think we all share the view that this is an important agreement, perhaps not as difficult to work out as the tuna agreement. But it is very important to our agricultural interests.

Senator SANFORD. Thank you very much.

Senator Pressler.

Senator PRESSLER. I have no questions, thank you. But I do have a statement for the record.

Senator SANFORD. Very well, we will enter that into the record.

[The prepared statement of Senator Pressler may be found in the appendix.]

PREPARED STATEMENT OF SENATOR PRESSLER

Mr. Chairman, thank you for scheduling these hearings on the International Wheat Agreement. This is a very important issue in agricultural states such as South Dakota.

In the last year the need for international cooperation on agricultural policies has received a great deal of attention. The primary reason for this is the high cost of farm programs and the huge surplus of grain and other farm commodities. Last year over $100 billion were spent to subsidize farmers and encourage the production of agricultural products throughout the world. The United States spent about $25 billion. The United States and some other nations realize that they cannot afford to subsidize farmers at this rate.

The subsidies in most cases encourage farmers to produce larger crops. As a result we continue to pile up surplus commodities. The surplus depresses market prices and increases the need for farm subsidy programs. What we have in global agricultural policy is a Catch-22. The only way to resolve this growing problem is to achieve international cooperation to reduce surplus production, thus reducing the need for government subsidies. The International Wheat Council could play a key role in addressing this issue.

In an effort to address the serious agricultural problem we currently face I have proposed the negotiation of an international conservation reserve program. Under this program all grain exporting nations would agree to take an equal percentage of their cropland out of production and return it to its natural state of grass or trees. The land would be required to be held out of production for at least

10 years. Such a program would help to bring grain supplies in line with demand, control soil erosion and reduce the cost of farm programs worldwide. This committee and the Senate included a provision in this year's trade bill encouraging the negotiation of such an agreement. I would hope that the U.S. and other nations would discuss this concept not only at the GATT talks but also at the International Wheat Council.

Mr. Chairman, I look forward to listening to the witnesses.

Senator SANFORD. We have a letter from the chairman and the ranking minority member of the Committee on Agriculture which I would like to enter into the record.

[The Information referred to appears in the appendix.]

Senator SANFORD. We have a series of questions submitted by Senator Biden, which I will just submit to Secretary Johnson, with the request that he give us replies without going into those now.

We will also keep the record open for an additional week for submissions.

I also have three questions for Mr. Miller, submitted by Senator Biden. We would appreciae having your comments on those questions.

I want to thank you for coming today to testify, and to especially thank you for coming all the way from the Northwest to testify, Mr. Miller. We are pleased to have you.

We appreciate your contributions to our consideration of this very important legislation.

Mr. JOHNSON. Thank you.

Mr. MILLER. Thank you, Mr. Chairman.

Senator SANFORD. I thank you all very much.

If there is no further business, we stand adjourned.

[Whereupon, at 11:57 a.m., the committee adjourned.]

APPENDIX

Prepared Statement of Ralph R. Johnson, Deputy Assistant Secretary of State for Trade and Commercial Affairs

Mr. Chairman:

Thank you for this opportunity to speak in support of Senate advice and consent to ratification of the new International Wheat Agreement of 1986. The International Wheat Agreement consists of two legal instruments: the Wheat Trade Convention of 1986, and the Food Aid Convention of 1986. The Conventions were completed at meetings of the International Wheat Council and Food Aid Committee at London on March 13 and 14, ~~1986~~. The two Conventions were opened for signature at the United Nations Headquarters, New York, from May 1 through June 30, 1986. They were signed for the United States on June 26, 1986. A Conference met in London from June 30 to July 4, 1986 and declared that the conditions had been met for the entry into force of these two Conventions as of July 1, 1986. Both Conventions entered into force internationally on July 1, 1986. The Wheat Trade Convention will remain in force until June 30, 1991, and the Food Aid Convention will remain in force until June 30, 1989.

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THIS AGREEMENT REPRESENTS THE LATEST IN A CONTINUING SERIES OF SUCH AGREEMENTS THAT BEGAN IN 1949. THESE AGREEMENTS HAVE EVOLVED OVER THE YEARS, CHANGING AS NEEDED IN LINE WITH CHANGING WORLD CONDITIONS. THE CURRENT VERSION, WHICH IS CONSULTATIVE AND INFORMATIONAL, DATES BACK TO 1971, AND THE TWO-CONVENTION FORMAT, WHICH INCORPORATES A MULTILATERAL FOOD AID COMMITMENT, DATES BACK TO 1967.

AS NOTED, THIS NEW INTERNATIONAL WHEAT AGREEMENT OF 1986 INCLUDES TWO CONVENTIONS, THE FIRST BEING THE WHEAT TRADE CONVENTION OF 1986. IN THE NEW WHEAT TRADE CONVENTION OF 1986, PART ONE ESTABLISHES GUIDELINES FOR INTERNATIONAL COOPERATION IN WHEAT TRADE MATTERS. THIS CONVENTION AUTHORIZES THE INTERNATIONAL WHEAT COUNCIL TO SERVE AS A FORUM FOR DISCUSSION OF POLICIES AND EXCHANGE OF VIEWS ON MATTERS OF TRADE IN GRAINS, AND TO COLLECT, ANALYZE, AND DISSEMINATE INFORMATION ON THE INTERNATIONAL GRAINS SITUATION, WITH PARTICULAR REFERENCE TO SUPPLY, DEMAND, TRADE, AND PRICES. PARTS TWO AND THREE DEAL WITH THE ADMINISTRATIVE DETAILS OF THE OPERATING OF THE INTERNATIONAL WHEAT COUNCIL.

SOME NOTEWORTHY CHANGES IN THE 1986 WHEAT TRADE CONVENTION ARE THAT IT STRENGTHENS THE INFORMATIONAL AND CONSULTATIVE ROLE OF THE ORGANIZATION AND, FOR THE FIRST TIME, IT BROADENS THE COVERAGE TO INCLUDE COARSE GRAINS AS WELL AS WHEAT. THE 1986

CONVENTION ALSO REMOVES EARLIER LANGUAGE WHICH CONTEMPLATED THE ULTIMATE REESTABLISHMENT OF PRICE AND ECONOMIC PROVISIONS IN THE CONVENTION; IT SHOULD BE NOTED, HOWEVER, THAT ARTICLE 22 DOES CONTINUE TO ALLOW FOR THE POSSIBILITY OF THE NEGOTIATION OF A NEW INTERNATIONAL AGREEMENT OR CONVENTION WITH ECONOMIC PROVISIONS.

THE SECOND CONVENTION OF THE NEW INTERNATIONAL WHEAT AGREEMENT OF 1986 IS THE FOOD AID CONVENTION OF 1986, WHICH IS DIVIDED INTO THREE PARTS. PART ONE LAYS OUT THE OBJECTIVES AND DEFINITIONS FOR THIS NEW FOOD AID CONVENTION, WHILE PARTS TWO AND THREE STATE THE MAIN AND FINAL PROVISIONS. THIS NEW FOOD AID CONVENTION, 1986, REPLACING THE FOOD AID CONVENTION, 1980, MAINTAINS THE PARTIES' PREVIOUS COMMITMENTS TO PROVIDE MINIMUM ANNUAL QUANTITIES OF CEREALS FOOD AID TO DEVELOPING COUNTRIES. WITH THE UNITED STATES, THIS COMMITMENT AMOUNTS TO 4,470,000 METRIC TONS, AN AMOUNT WELL WITHIN OUR AUTHORIZED FOOD AID PROGRAMS UNDER PL 480, THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954, AS AMENDED. WITH THIS CONVENTION, THE CONTRIBUTIONS OF THE UNITED STATES ARE MADE UP OF COMMODITIES SOLD OR DONATED UNDER PL 480 OR THROUGH OTHER BILATERAL OR MULTILATERAL AID PROGRAMS. THE FOOD AID CONVENTION SEEKS

BURDEN-SHARING AMONG FOOD AID DONORS. OVER THE THREE YEAR TERM OF THE CONVENTION, A FLOOR FOR FOOD AID ASSISTANCE OF 7.6 MILLION TONS PER YEAR HAS BEEN ESTABLISHED IN THE CONVENTION.

FOR THE RECORD, I SHOULD INDICATE THAT ONE DONOR, AUSTRALIA, HAS SUBSEQUENTLY INDICATED THAT ITS MINIMUM CONTRIBUTION WOULD BE 300,000 METRIC TONS, INSTEAD OF THE 400,000 METRIC TONS SPECIFIED IN THE CONVENTION. THE FOOD AID COMMITTEE IN JULY 1987 ACCEPTED AUSTRALIA'S ACCESSION ON THIS BASIS, WITH THE UNDERSTANDING THAT IT DID NOT IN ANY WAY REQUIRE A DISTRIBUTION AMONG THE OTHER DONORS OF THE 100,000 METRIC TONS SHORTFALL.

THIS NEW FOOD AID CONVENTION PROVIDES FOR REGULAR CONSULTATIONS TO REVIEW PLEDGE LEVELS AND TO RESPOND TO REGIONAL FOOD PRODUCTION SHORTFALLS (E.G., SUB-SAHARAN AFRICA).

CONSISTENT WITH THE INFORMATIONAL AND CONSULTATIVE ROLE OF THE NEW INTERNATIONAL WHEAT AGREEMENT, AND IN ORDER TO ENCOURAGE GREATER PARTICIPATION AND CONTINUITY OF ACTIVITIES, THE NEW TEXTS PROVIDE FOR FUTURE EXTENSIONS, FOR PERIODS NOT EXCEEDING TWO YEARS EACH, TO BE UNDERTAKEN BY MUTUAL CONSENT OF THE PARTICIPANTS WITHOUT RESORT TO FORMAL RATIFICATION PROCEDURES. BOTH THE INTERNATIONAL WHEAT COUNCIL AND THE FOOD

AID COMMITTEE HAVE GRANTED THE UNITED STATES GOVERNMENT EXTENSIONS OF TIME TO JUNE 30, 1988 FOR THE DEPOSIT OF ITS INSTRUMENTS FOR RATIFICATION OF THE NEW INTERNATIONAL WHEAT AGREEMENT OF 1986.

THE U.S. SHARE OF THE INTERNATIONAL WHEAT COUNCIL'S TOTAL BUDGET IS ABOUT 15 PERCENT, ONE OF THE LOWEST IN ANY INTERNATIONAL ORGANIZATION. IN ACCORDANCE WITH ARTICLE 11 OF THE INTERNATIONAL WHEAT CONVENTION, THE UNITED STATES GOVERNMENT IS ALLOWED 320 VOTES OUT OF A TOTAL OF 2,000 VOTES. IN CROP YEAR 1987-88, EACH MEMBER COUNTRY WAS ASSESSED 485 BRITISH POUNDS STERLING (APPROXIMATELY $800.25) FOR EACH VOTE HELD. THE UNITED STATES ASSESSMENT FOR THE INTERNATIONAL WHEAT COUNCIL HAS BEEN APPROXIMATELY $250,000 PER YEAR ($242,300 IN FY 87 AND $252,000 IN FY 88), RUNNING FROM JULY 1 TO JUNE 30 (A CROP YEAR), ASSESSED IN BRITISH POUNDS STERLING, AND SUBJECT TO EXCHANGE RATE FLUCTUATIONS. THE 1987-1988 TOTAL ASSESSMENTS OF THE INTERNATIONAL WHEAT COUNCIL AMOUNTED TO 970,000 BRITISH POUNDS STERLING (APPROXIMATELY $1,600,500.00).

THE SECRETARIAT OF THE INTERNATIONAL WHEAT COUNCIL IS EXTREMELY COMPETENT AND WELL RUN, AND BOTH THE ORGANIZATION AND ITS PERMANENT SECRETARIAT REMAIN VALUABLE INSTITUTIONS THAT ARE ESPECIALLY HELPFUL TO U.S. INTERESTS FROM TIME TO TIME.

LOCATED IN LONDON. THE SECRETARIAT, NUMBERING A RELATIVELY SMALL STAFF OF ABOUT THIRTY, SHARES ITS DATA WITH AN INTERNATIONAL WHEAT COUNCIL MEMBERSHIP OF ABOUT 50 MEMBER COUNTRIES, INCLUDING THE TWELVE COUNTRIES OF THE EUROPEAN COMMUNITY WHICH ARE REPRESENTED COLLECTIVELY IN THE INTERNATIONAL WHEAT COUNCIL AND FOOD AID COMMITTEE BY THE EUROPEAN COMMISSION. THIS SECRETARIAT CAN ALWAYS BE COUNTED ON TO BE GENEROUS WITH SERVICES AND ASSISTANCE TO OUR PRODUCER AND EXPORTER PEOPLE, TO OUR NEWS MEDIA, AND TO CONGRESSIONAL DELEGATES FROM THE UNITED STATES.

ONE IMPORTANT ASPECT OF THE INTERNATIONAL WHEAT AGREEMENT, AND OUR SUPPORT OF IT, IS THE TECHNICAL EXPERTISE OF ITS PERMANENT STAFF, AND THE ASSISTANCE ROLE IT CAN PLAY WHEN MULTILATERAL TRADE NEGOTIATIONS OCCUR FROM TIME TO TIME THAT WOULD AFFECT GRAINS. THE INTERNATIONAL WHEAT AGREEMENT HAS WORKED CLOSELY WITH THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) IN PAST MULTINATIONAL ROUNDS AND HAS OFTEN PROVIDED A MAJOR PLAYING FIELD FOR MULTILATERAL NEGOTIATIONS ON GRAIN TRADE MATTERS. THIS ROLE COULD WELL BE CONTINUED IN THE FUTURE. ONE REASON IS THAT THERE ARE SEVERAL IMPORTANT GRAIN TRADING COUNTRIES THAT ARE MEMBERS OF THE INTERNATIONAL WHEAT COUNCIL, BUT NOT MEMBERS OF THE GATT.

FOR THE REASONS WE HAVE OUTLINED ABOVE, THE ADMINISTRATION URGES THE UNITED STATES SENATE TO GIVE ITS ADVICE AND CONSENT TO THE RATIFICATION OF THE INTERNATIONAL WHEAT AGREEMENT OF 1986.

THANK YOU, MR. CHAIRMAN.

National Association of Wheat Growers
415 Second Street, N.E., Suite 300, Washington, D.C. 20002, (202) 547-7800

TESTIMONY OF
JAMES MILLER
NATIONAL ASSOCIATION OF WHEAT GROWERS
BEFORE THE
COMMITTEE ON FOREIGN RELATIONS
U.S. SENATE
September 24, 1987

Mr. Chairman, I am Jim Miller, a wheat farmer from Garfield, Washington. This year I am privileged to be president of the National Association of Wheat Growers. It is an honor to be able to testify in favor of ratification of the International Wheat Agreement.

The International Wheat Agreement, 1986, comprises the Wheat Trade Convention, which maintains a framework for international cooperation in wheat trade matters, mostly through statistical, analytical and forecasting work; and the Food Aid Convention, which renews earlier commitments of donor member states to provide minimum annual quantities of food aid to developing countries. (The United States, incidentally, typically donates substantially greater quantities of food than actually required by the Convention. In 1985/86, for instance, the U.S. minimum contribution was 4.5 million metric tons, representing 58.7% of total required contributions by all countries. However, actual U.S. food aid shipments were 7.8 million tons, which amounted to 66.3% of actual amounts shipped by all countries.)

President Reagan transmitted the IWA to the Senate for ratification on January 20, 1987, and NAWG respectfully requests that the treaty be given speedy consideration. Our group has found the International Wheat Council, the London-based organization that administers the IWA, to be among the most efficient and reliable sources of data on world grain trade; its regular estimates of production and use are always closely watched in the trade. Both we and U.S. Wheat Associates, the farmer-controlled group that develops overseas markets for American wheat, have found the IWC to be helpful, professional and objective in its approach. U.S. agencies, including USDA, USTR and others, also regularly make use of IWC statistics. Another important role of the IWC in coming months will most likely be to assist in the preparations for serious negotiations on agricultural trade in the Uruguay Round of GATT talks. Thus, it is an important organization and is becoming more so.

The IWA, unlike some other commodity agreements, does not provide any mechanisms for supply control, price support or

market sharing. Under the treaty as signed in June 1986, the IWA basically exists to provide a neutral source of vital data, to publish signatory nations' food aid obligations, and to serve as a global forum on international wheat matters.

Ratification of the IWA is particularly critical now, Mr. Chairman, because for the first time since its 1949 founding, the United States is in arrears in paying its annual dues. When the IWC's new fiscal year began July 1, the U.S. was delinquent by 81,360 pounds sterling, or $133,472 at today's exchange rate, for 1986/87, and had not yet paid its 1987/88 dues of 155,200 pounds sterling, or $254,606. The failure to pay is not a deliberate act on the part of the United States, but because the treaty has not been ratified, the IWA falls into a category of State Department spending which has undergone a more severe budget cut than the category out of which dues for ratified treaty organizations are paid. Therefore, ratifying the IWA treaty would resolve much of the problem and allow our back dues to be paid up.

The amounts of money involved here, Mr. Chairman, are not large by the standards of the U.S. budget: The total of last year's unpaid dues and this year's dues, some 236,560 pounds sterling, is less than $400,000 at current exchange rates. But since the IWC operates on a total annual budget of 970,000 pounds sterling, or about $1.6 million, the U.S. failure to pay is having severe effects. I believe the treaty is a good one, the IWA's purposes worthy, and the U.S. dues a good expenditure of public funds. I urge you to ratify the International Wheat Agreement.

International Wheat Council

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England

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The Executive Director

13th July 1987

Dear Mr. Anderson,

At its 107th Session held in London from 8th to 10th July 1987, the Council approved its budget for the crop year 1st July 1987/30th June 1988 and agreed that assessments should be made on the basis of £485 a vote.

The contribution payable by your Government is £155,200.00, in accordance with the enclosed list of assessments.

However, I must also refer once more to my previous correspondence regarding the balance of £81,359.99 still outstanding with respect to the contribution for the crop year 1986/87. As shown in the enclosed statement, the total now due by your Government is:

£236,559.99

Under the terms of paragraph (5) of Article 21 of the Wheat Trade Convention, 1986, contributions are payable immediately upon assessment.

When I introduced the budget for 1987/88 at the session, I also dealt with the parlous financial situation of the Council. As a result of the excessively high level of unpaid contributions as at 30th June 1987, the end of the crop year 1986/87, I indicated that after payment of the July expenditure, the Council would have barely £40,000 in the bank to meet its expenses in August. On average, monthly expenditure totals some £80,000.

It is therefore a matter of urgency and of the highest importance that your Government should settle without any further delay the total amount now due to the Council. I therefore look forward to receiving in the very near future a cheque in that amount from your authorities.

Yours sincerely,

J. H. Parotte

(J. H. Parotte)

Mr. R. E. Anderson, Jr.,
Agricultural Counsellor,
American Embassy,
24 Grosvenor Square,
LONDON W1A 1AE.

CROP YEAR 1987/88

ASSESSMENT OF CONTRIBUTIONS

	1987/88	
	Votes redistributed under Article 11 as agreed at the 106th Session	Assessment at $485 per vote
Algeria	14	6,790
Argentina	90	43,650
Australia	133	64,505
Austria	1	485
Barbados	1	485
Bolivia	5	2,425
Brazil	72	34,920
Canada	294	142,590
Cuba	2	970
Ecuador	3	1,455
Egypt (Arab Republic of)	73	35,405
European Economic Community	436	211,460
Finland	2	970
Hungary	15	7,275
India	40	19,400
Iran	2	970
Iraq	5	2,425
Israel	5	2,425
Japan	190	92,150
Korea, Republic of	21	10,185
Malta	2	970
Morocco	10	4,850
Norway	15	7,275
Pakistan	19	9,215
Panama	2	970
Saudi Arabia	12	5,820
South Africa	11	5,335
Sweden	10	4,850
Switzerland	19	9,215
Tunisia	5	2,425
Turkey	4	1,940
Union of Soviet Socialist Republics	133	64,505
United States of America	320	155,200
Vatican City	1	485
Venezuela	31	15,035
Yemen Arab Republic	2	970
	2,000	970,000

Food Aid Committee
Comité de l'Aide Alimentaire
Comité de Ayuda Alimentaria

PRESS RELEASE

1st June 1987

FOOD AID CONVENTION

REPORT ON SHIPMENTS BY MEMBERS IN 1985/86

In 1985/86, the twenty-three members of the Food Aid Convention, 1980 shipped some 11.7 m. tons of cereals (in wheat equivalent) as food aid to over one hundred developing countries, representing 95% of all cereals food aid. They were again substantially in excess of members' total minimum obligations of 7.61 m. tons under the Convention.

In its latest report, released today, the Food Aid Committee provides the fullest possible account of how individual shipments were made during that year. The document, incorporating some 36 pages of tables, sets out in detail for each donor the type of transaction involved, whether it was bilateral or multilateral, specifying the grains or grain products used and the dates of shipment.

Special attention is paid to so-called "triangular" contributions, involving the purchase by donors of grain from one developing country for shipment to another. Such transactions, which are actively encouraged under the Food Aid Convention, have increased considerably in recent years. Rice, for example, was purchased by donors in several countries in Far East Asia, while maize (corn) or sorghum was bought in Africa and Argentina.

Mainly because of the significant improvement in the food situation in sub-Saharan Africa, total shipments of food aid declined slightly from the previous year. However, well over half of all aid under the Convention was again shipped to destinations in Africa.

NOTES FOR EDITORS

FOOD AID CONVENTION, 1980 AND FOOD AID CONVENTION, 1986

The Food Aid Convention, 1980 was one of two separate legal instruments of the International Wheat Agreement. The other was the Wheat Trade Convention. The Food Aid Convention is administered by the Food Aid Committee, which is independent of the International Wheat Council but is serviced by the Council's secretariat. Both Conventions were extended by Protocol to 30th June 1986, when they were replaced by new Conventions under the International Wheat Agreement, 1986.

- continued overleaf -

c/o International Wheat Council
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London SW1Y 4SS
England

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The new Food Aid Convention, 1986 is along the same lines as its predecessor, which has proved in practice to be a most effective instrument of international food assistance. By undertaking quantitative minimum annual obligations, which have been exceeded by considerable amounts in recent years, donor countries provide a safety net for food aid in cereals to developing countries in times of rising prices and falling availabilities.

The principal objective of the 1986 Convention remains unchanged. It is to secure, through a joint effort by the international community, the achievement of the World Food Conference target of at least 10 million tons of food aid annually to developing countries. The total of members' minimum annual contributions also follows closely the level of the 1980 Convention. The new Convention re-emphasizes the need to give full consideration to the advantages of directing a greater proportion of food aid through multilateral channels. It reaffirms the members' aim that the major part of cash contributions should involve purchases from developing countries. It encourages members to bear, over and above their grain donations, the costs of transporting the aid beyond the f.o.b. stage, especially in emergency situations, or in the case of shipments to low-income food-deficit countries.

The new Convention includes several improvements and refinements. The special emergency provision, whereby the Committee may recommend to members to increase the amount of food aid available, has now been broadened to take account of the need to respond to food production shortfalls in particular regions, e.g. sub-Saharan Africa or South Asia. It has increased powers to seek information on questions such as production in, and requirements of, low-income food-deficit developing countries, surpluses of grain that developing countries might be able to make available for purchase with cash contributions, and the possible effects of food aid on grain production and consumption in recipient countries.

The Food Aid Convention, 1980 will remain in effect for three years but may be extended by the Food Aid Committee for successive two-year periods.

ANNUAL SHIPMENTS OF GRAIN UNDER THE FOOD AID CONVENTION

1980/81-1985/86 (July/June years)

tons: wheat equivalent

DONOR MEMBER	MINIMUM ANNUAL CONTRIBUTION a)	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
Argentina	35,000	52,000	5,000	32,530	30,365	50,597	44,241
Australia	400,000	402,953	534,834	325,538	565,093	541,214	389,440
Austria	20,000	31,259	20,287	32,600	21,603	19,542	29,520
Canada	600,000	600,000	600,000	827,591	815,244	946,535	1,201,174
EEC	1,650,000	1,202,215	1,835,845	1,621,646	2,045,573	2,736,253	1,810,539
Finland	20,000	29,000	-	20,000	40,000	20,000	5,000
Japan c)	300,000	249,780	309,289	309,900	310,619	362,619	362,370
Norway c)	30,000	21,124	26,670	22,661	12,282	43,053	11,089
Spain	20,000	14,000	22,247	15,602	21,475	25,233	27,800
Sweden	40,000	52,445	39,389	37,088	46,078	40,000	36,195
Switzerland	27,000	29,646	22,283	31,482	30,529	62,410	36,671
U.S.A.	4,470,000	5,241,891	4,791,307	5,852,374	6,453,349	6,975,832	7,777,490
Total	7,612,000	7,936,323	8,207,161	9,139,112	10,392,220	11,823,288	11,731,539

a) As listed in Article III, paragraph, (3) of the Food Aid Convention, 1980.

PATRICK J. LEAHY, VERMONT, CHAIRMAN
JOHN MELCHER, MONTANA
DAVID H. PRYOR, ARKANSAS
DAVID L. BOREN, OKLAHOMA
HOWELL HEFLIN, ALABAMA
TOM HARKIN, IOWA
KENT CONRAD, NORTH DAKOTA
WYCHE FOWLER, JR., GEORGIA
THOMAS A. DASCHLE, SOUTH DAKOTA
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RUDY BOSCHWITZ, MINNESOTA
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CHRISTOPHER S. "KIT" BOND, MISSOURI
PETE WILSON, CALIFORNIA
DAVID K. KARNES, NEBRASKA

United States Senate
COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

September 24, 1987

The Honorable Claiborne Pell
Chairman, Committee on Foreign Relations
United States Senate
Washington, D.C. 20510

Dear Senator Pell:

We would like to take this opportunity to indicate our very strong support for the participation of the United States in the International Wheat Agreement. This agreement, like its predecessors, will provide a useful forum and framework for the exchange of information and ideas about the international grain trade.

It is through a ready exchange of information that we learn about the problems and pressures facing other countries. And it will only be through continued and thorough discussions that we are able to ultimately forge new and effective rules governing international trade in all commodities.

The two conventions that comprise the Agreement, the Wheat Convention and the Food Aid Convention, provide for the continuation of many of the information sharing and food aid goals of their predecessors. These Conventions also break some new ground, primarily with an expanded commodity coverage, simpler extension mechanisms, and strengthened provisions designed to better enable the Conventions to meet emergency food aid needs.

We urge the Committee to report favorably on this Agreement and to ensure that the United States lives up to its cash contribution obligations called for in the Agreement. The food aid programs established in the Agricultural Trade Development and Assistance Act of 1954 are adequate to fulfill our food aid commitments under the new Agreement.

We thank the Chairman and members of the Committee on Foreign Relations for considering our interests.

Sincerely,

PATRICK LEAHY
Chairman

RICHARD LUGAR
Ranking Minority Member

RESPONSES OF RALPH R. JOHNSON TO QUESTIONS ASKED BY SENATOR BIDEN

Question 1: The Administration has proposed the elimination of worldwide agricultural subsidies by the end of the century and has called for talks to bring this about. The International Wheat Convention would appear to be a possible forum for preliminary talks to begin.

Has the Administration studied the possibility of using the International Wheat Convention as a forum for talks on improving farm prices and reducing subsidies? What was found?

Answer 1: No. The Administration has not studied the possibility of using the International Wheat Convention as a forum for talks on improving farm prices and reducing subsidies. For the moment, the Administration's attention to reform of agricultural policies in an international context is focussed only on the negotiations under the General Agreement on Tariffs and Trade (GATT). As these discussions proceed in the GATT context, however, there may be a useful marginal and advisory role on issues related to wheat and other grains which can be played by the specialized organs and the International Wheat Council.

Question 2: One of the objectives of the Convention is "to promote the expansion of international trade...including the elimination of trade barriers and unfair and discriminatory practices..."

What has the Administration done to try to bring about a reduction of trade barriers through the Convention? Are any future actions planned? What is your assessment of the utility of the Convention for price improvement or subsidy reduction negotiations? What are the drawbacks of using the Convention for this purpose?

Answer 2: The Administration has participated with other members of the International Wheat Convention in discussion of wheat and other grains policies, but the forum has been more on an exchange of information than on specific reductions in trade barriers. Future actions on reductions in trade barriers will occur primarily in the context of the current negotiations under the General Agreement on Tariffs and Trade (GATT). The International Wheat Convention provides a forum in which to exchange information among governments on wheat and other grains policies. The International Wheat Convention does not contain economic provisions and was not established as a forum for trade negotiations. Therefore, while it is not currently a primary vehicle for international negotiations to reduce barriers to wheat and other grains trade, it could play a useful supporting role because of its expertise in wheat and other grains trade.

It should be remembered that the Administration's proposal for worldwide agricultural policy reform envisions a phased reduction in subsidies and trade barriers. For this to be implemented, accurate data and information on separate national policies is essential. This remains yet another useful role for the International Wheat Convention.

At the same time, the Administration believes that any agreement on agriculture must be multilateral, multi-commodity, and cover all policy instruments. These important negotiations could become uncoordinated if they are divided among various international organizations besides the GATT.

Question 3: Another objective of the Convention is to "contribute to the fullest extent possible to the stability of international grain markets in the interests of all members..."

What steps has the Administration taken, or plan to take, to use the Convention to stabilize world grain markets at a price level that is fair to American farmers? Does the Administration have any plans to use the Convention to gain a worldwide adjustment to overproduction problems, instead of just an American-based reduction program? What are the plans?

Answer 3: Although the Administration remains concerned about securing more stable world grain markets at a price level that is fair to American farmers, we do not support economic provisions at the international level, nor including such provisions in the International Wheat Convention, to achieve this objective. As noted earlier, the Administration, along with most member countries, views the Convention as an excellent data source about current international market conditions in grain exports and imports. We do not plan to use specifically the International Wheat Convention to gain a worldwide adjustment to overproduction problems. We have taken the lead and submitted at the current round of GATT negotiations in Geneva the now much-publicized Administration proposal for the complete elimination worldwide of all forms of subsidy related to agricultural trade over a ten year period. Any economic provisions would clearly not be needed if the Administration's agricultural trade reform proposal in the GATT negotiations is accepted. Although indeed it is an American-based reduction proposal, we are seeking and gathering a much greater international consensus behind our proposal. Our expectations are that this plan, along with proposals from a few other member countries of GATT, will serve as the basis for these long overdue negotiations on worldwide agriculture subsidies.

Question 4: It is my understanding that the Administration wants to deemphasize the price and economic provisions of the Agreement.

How does this square with the Administration's stated intent to reduce worldwide subsidies? What type of enforcement provisions would the Administration support to maintain a subsidy-free world market if it was attained?

Answer 4: The Administration does not believe that price and economic provisions help to reduce worldwide subsidies. If anything, they tend to exacerbate the problem, with regard to wheat and other grains trade. For this reason, we find it completely consistent with our objectives to seek a deemphasis of the price and economic provisions of the Agreement. However, the Administration is continuing to study possible enforcement provisions to maintain the desired subsidy-free world market. The Administration expects monitoring and enforcement provisions to be built into any new agreement on worldwide agricultural trade reform at the GATT negotiations. These provisions may be similar to remedies now available in the GATT, but with more reliable and prompt settlement procedures.

Question 5: Does the expansion of the Convention to include grains other than wheat require a change in the voting distribution of the Convention?

Answer 5: The inclusion of other grains under this Agreement is intended mostly for purposes of gathering and distributing statistics and other information. In the distribution of votes on the International Wheat Council, the Council will take into account only the wheat trading patterns of exporting members and importing members. Of the total 2,000 votes in the Council, exporting member countries together hold 1,000 votes, with the other 1,000 votes for the importing members. No one member can hold more than 333 votes. The lists of exporting and importing member countries are reviewed by the Council, taking exclusively into consideration the changing patterns of wheat trade on the world markets. Details concerning votes are explained in Article 12 of the International Wheat Convention.

RESPONSES OF JAMES MILLER TO QUESTIONS ASKED BY SENATOR BIDEN

1. What is the NAWG's opinion of the Administration's proposals to gain an end to worldwide agricultural subsidies by the end of the century? We would support multilateral reductions in a variety of trading practices that presently inhibit U.S. producers' ability to sell competitively in world markets. One should not be overly optimistic that the Administration's proposals will gain unanimous acceptance by GATT signatories in their initial form; in addition, we would not concede that every farm program included in the Administration's proposal distorts trade. Discussion is therefore important here, so that, for example, the U.S. can get credit for certain policies that have tended to keep other countries' prices above the level they would otherwise have attained.

2. What is your assessment of the IWC's possible use as a forum to start or conduct these talks? We believe the IWC will have an important role to play in facilitating negotiations and serving as an unbiased forum. Indeed, it already serves such functions independent of the new round of GATT talks. Should initial talks be held on individual commodities and then combined into comprehensive talks after the groundwork is laid, or should any talks include all commodities from the start? Any workable agreement will have to include a broad spectrum of commodities, because agricultural markets are interdependent. The IWC itself is obviously limited in the number of commodities it can appropriately analyze, and therefore is not likely to be where a final agreement is struck; that can only happen among all GATT signatories. In the preliminary phases, however, and as the talks affect grains, the IWC's role can be most crucial.

3. What is the Wheat Growers' position on an international agreement to reduce worldwise overproduction of wheat? What has been the experience of the wheat market with attempts to maintain prices? What were the reasons for the failures? Are international agreements to maintain prices or limit production workable? What tools are needed to make them work? What steps does the U.S. have to take to bring about such an agreement? NAWG would favor undertakings by major exporting or producing countries to take measures to manage supplies and hold stocks, measures which would likely vary with each country, and would perhaps be triggered by certain stock levels. Such undertakings would not constitute a grain cartel along the lines of OPEC, nor would they be compatible with recent proposals by the European Community to divide market shares. One should have only modest expectations for their prospects, because the history of attempts to reach similar agreements in the past is not encouraging. Such agreements impinge on autonomous national policies and prerogatives and hence tend to be superseded by individual nations' economic or political needs. The experience of OPEC and, in a slightly different way, the economic goals agreed to in G-7 talks should be instructive. To succeed, any agreement by other countries to restrain production should be placed in the overall context of the Uruguay Round and should not attempt to override domestic farm policies except to the extent that these interfere with efficient trade. Again, expectations should be modest, but we believe there is no reason the United States should be virtually the only country in the world which attempts to act responsibly in containing surpluses. We note that GATT negotiating objectives in the House-passed version of H.R. 3, the omnibus trade legislation, contains language compatible with the goals we have discussed.

RESPONSES OF RALPH R. JOHNSON TO QUESTIONS ASKED BY SENATOR SANFORD

Question 1: In your view, what are the strongest arguments for ratifying the International Wheat Agreement?

Answer 1: The International Wheat Agreement, 1986, is another of a continuing series of international grain trade agreements that date back to the end of World War II. As a global leader in trade negotiations as well as a leading exporter of agricultural products, the United States has always been a major player in these trade organizations. The U.S. has a great interest in obtaining accurate information concerning worldwide market conditions and trends in agricultural trade. This data and the related discussions are useful for purposes of U.S. policy and will remain so in support of our proposals in the current GATT negotiations on agriculture. It is important that the U.S. remain an active member of these organizations and not begin a hasty retreat just at a time when worldwide protectionist pressures are a major threat. The International Wheat Council has an extremely helpful secretariat funded by a relatively small budget, of which we are responsible for only fifteen percent. The International Wheat Council provides the U.S. with timely and accurate statistics and other information concerning the world market for grain trading. We use this data in reaching our policy decisions concerning agricultural trade.

Question 2: The United States missed the June 30, 1987 deadline for depositing instruments of ratification for the International Wheat Agreement. What is the current status of U.S. participation in the agreement?

Answer 2: In July 1987, the International Wheat Council at its 107th Session and the Food Aid Committee at its 54th Session granted the United States extensions of time until June 30, 1988 for the deposit of instruments of ratification of the Wheat Trade Convention and the Food Aid Convention.

Question 3: Do you know of any opposition to the International Wheat Agreement? If so, on what grounds?

Answer 3: The Administration is not aware of any opposition to the International Wheat Agreement, 1986.

Question 4: What are the principal differences between the 1986 and 1971 Wheat Trade Conventions?

Answer 4: The Wheat Trade Convention, 1986, much like its predecessors, is designed to reinforce international cooperation in grain matters between exporting and importing member countries, serving as a forum for the discussion on a regular basis of world grain matters. The 1986 Convention, like its predecessors since 1971, contains no economic provisions. A key role of the Convention is to continue to collect, analyze, and disseminate information on market conditions, and on developments concerning the improvement and expansion of trade, utilization, storage, and transportation of grain, especially in the economically developing countries.

Among the few changes in the Wheat Trade Convention, 1986, is the scope of coverage, which has now been widened to cover other grains, although it is still termed a "wheat trade" convention. Another noteworthy change is the removal of language in the prior agreement which contemplated the ultimate reestablishment of price and economic provisions in the Convention, which have been absent since their collapse in 1968. This language had contributed to the attitude that a primary reason for the existence of the Convention was to organize the international wheat market. The 1986 Convention will stand on its own as an information gathering, consultative arrangement, with a term of five years. Although the Agreement

continues to contain language referring to economic provisions, this aspect is now played down in comparison to previous agreements.

Question 5: What was the rationale for expanding the Convention to cover grains other than wheat? Will the expanded coverage of the agreement substantially increase the operating costs of the Convention?

Answer 5: Because of the timeliness, accuracy, and availability of important international statistics and other data concerning the global market for wheat, and due to the importance the access to such information has been for reaching and supporting United States agricultural trade policy, it was agreed by the member countries that the statistics on the other important grains which trade on world markets should also be followed and made available on a regular basis to the governments of the member countries. This expanded coverage of the Agreement will not significantly increase the operating costs of the Convention. This was the conclusion when compared with the costs of establishing and operating new and separate international conventions for each major grain traded on the world markets.

Question 6: In Article 22 of the Wheat Trade Convention it is stated that, "the Council shall at an appropriate time examine the possibility of the negotiation of a new international agreement or convention with economic provisions." How do you define an "appropriate time?" Would the Administration favor such negotiations?

Answer 6: It is difficult to envisage when, if ever, it would be appropriate to consider an International Wheat Convention with economic provisions. The Administration does not favor such provisions because they run counter to market orientation and the objective of greater liberalization of trade. The Administration believes that these interests are best served by the U.S. proposal at the GATT for worldwide elimination of agricultural subsidies and trade barriers.

Question 7: What is the status of our payments to the Convention for the current fiscal year? The United States' expected assessed contributions for the next fiscal year are $235,000. The Administration has requested only $144,000 to fund the Convention. How will this shortfall be filled?

Answer 7: The total assessment due by the United States for crop year 1986/87 (July 1, 1986/June 30, 1987) was 146,170 British pounds sterling, of which 64,810 has been paid. This leaves a total arrearage of 81,360 pounds. Using the recent dollar/pound exchange rate of $1.65 equals one pound, our delinquency for 1986/87 currently amounts to roughly $134,000.

Our assessment for crop year 1987/88 (July 1, 1987/June 30, 1988) is 155,200 pounds. When added to the existing arrearage, we currently owe 236,560 pounds. We will pay off some of this amount as soon as we have authority to do so early in Fiscal Year 1988. We do not expect, however, with currently projected resources in the International Conferences and Contingencies Account (ICC) for FY 88, to be able to meet our full financial obligation. When we can do so will depend on further authorization and appropriations. The funding for this particular budget account has been seriously reduced by Congress. Unfortunately, the International Wheat Agreement, while unratified, falls into this account. Contributions to all organizations in this account have been cut by 44 percent from FY 86 assessments.

Question 8: What are the principal differences between the 1980 and 1986 Food Aid Conventions?

Answer 8: The Food Aid Convention, 1986, continues the commitments of the donor member states to provide minimum annual quantities of food aid to developing countries at levels virtually unchanged from those in the 1980 commitments for cereals food aid. The U.S. commitment remains 4,470,000 metric tons, an amount well within our authorized food aid programs under P.L. 480, Agricultural Trade and Development Act of 1954, as amended. Furthermore, the Convention provides for regular consultation to review pledge levels and to respond to regional food production shortfalls (e.g., sub-Saharan Africa).

One noteworthy change is that Australia has subsequently indicated that its minimum contribution would be 300,000 metric tons of food aid, instead of the 400,000 metric tons which is specified in the Convention. The Food Aid Committee in July 1987 accepted Australia's accession to the Food Aid Convention on this basis, with the understanding that it did not in any way require a distribution among the other donors of the 100,000 metric tons shortfall.

The contributions of the United States under this Convention are made up of commodities sold or donated under P.L. 480 or through other bilateral aid programs. The Food Aid Convention ensures burden-sharing among food aid donors. A floor for food aid assistance of about 7.6 million metric tons per year has been established, over the three year term of the Convention.

Question 9: The United States' minimum contribution to the Food Aid Convention is 4,470,000 tons, over seven times as large as the next largest single nation's contribution. How are the aid levels in the Food Aid Convention determined? Do you feel that the United States contribution is disproportionately large?

Answer 9: Each member country contributes food aid at the level it chooses, provided that it abides by its commitment and gives advance notice of a decision to change its level of commitment. The U.S. commitment of 4,470,000 metric tons is an amount that is well within our authorized food aid programs under P.L. 480, the Agricultural Trade and Development Act of 1954, as amended.

Question 10: Article 4 describes the types of aid that may be used to meet a member's annual contribution target. Article 5 describes the ways in which this aid may be channelled to recipients. Could you describe the form, or forms, of U.S. contributions to the Convention as well as how this aid is channelled to recipient countries?

Answer 10: With this Food Aid Convention, the contributions of the United States are made up of commodities sold or donated under P.L. 480 or through other bilateral or multilateral aid programs. Titles I and III of P.L.480 provide food at concessional rates while Title II provides a grant (the U.S. donates the food and pays ocean freight). Our multilateral contribution to the World Food Program comes from P.L. 480 Title II. In addition to P.L. 480, the U.S. provides food aid under Section 416 of the Agricultural Act of 1949. The latter authority is currently being used for regular food aid programming, the sugar compensation program and Food for Progress programs. The total U.S. Food Aid Program in FY 1987 was on the order of 8 million metric tons, or U.S. $1.6 billion.

Question 11: Are all countries meeting their obligations under the Food Aid Convention? Do any countries exceed their minimum annual contributions as set out in the Convention?

Answer 11: No. All member countries of the Food Aid Convention have not always met their minimum obligations. In total, though, in 1985/86, the twenty-three member countries of the Food Aid Convention of 1980 shipped some 11.7 million metric tons of cereals (in wheat equivalent) as food aid to over one hundred developing countries, representing 95 percent of all cereals food aid. They were again substantially in excess of members' total minimum obligations of 7.61 million metric tons under the Convention. Along with the United States, the European Community, Canada and Australia and a few others tend to exceed their minimum annual contributions as set out in the Food Aid Convention.

Question 12: A frequently heard charge about aid programs is that the aid does not reach the intended recipients. Can you describe what measures are taken to ensure that food aid under this convention reaches its targets?

Answer 12: There are a number of methods that the United States Government uses to ensure that food aid, whether or not under this Convention, reaches its targets. Verification is carried out by United States personnel assigned to a United States embassy or consulate in the targeted country. There is also the frequent use of outside contracts to non-governmental organizations having strong reputations for reliability and accessibility to informed sources that might otherwise be impossible for United States Government personnel in a dangerous or hostile environment. The intention, of course, is to achieve the most effective verification possible.

RESPONSES OF RALPH R. JOHNSON TO QUESTIONS ASKED BY SENATOR PRESSLER

Question 1: Under the current convention, is there authority for the International Wheat Council to consider international land diversion programs? If so, has the issue been discussed?

Answer 1: The International Wheat Council does not specifically address international land diversion programs. Delegates to the Council are free to discuss national programs as part of the exchange of information on wheat and other grains policies, as is permitted by the Council.

Question 2: I understand the primary focus of the meetings of the International Wheat Council is current world supplies and production of wheat. This is an exchange of information. Is much consideration given to possible means of reducing the current surplus?

Answer 2: Yes. Some of the exchanges of information in the International Wheat Council have addressed the problems of the current surplus in production of wheat and other grains. The United States delegation informed the other members of the Council of the proposal by the United States under the General Agreement on Tariffs and Trade to remove all subsidies and barriers to agricultural trade within ten years.

Question 3: The International Wheat Council has 48 member countries. What is the breakdown of importing and exporting countries that are members?

Answer 3: At the first session held under this International Wheat Convention, 1986, as in the previous International Wheat Conventions, the International Wheat Council established which members were categorized as exporting or importing countries. In so deciding, the International Wheat Council noted the wheat trading patterns of the member countries, in addition to their own separate views. This categorization will be reviewed by the International Wheat Council after a three year period following the entry into force of this International Wheat Convention, taking into account the changing patterns of worldwide wheat trade. Currently, the number of exporting members is ten, including the United States, the European Community (as a single member), Australia, and Canada, while the remaining thirty-eight member countries are considered to be importers.

Question 4: In your estimation would it be possible to expand the scope of the International Wheat Convention to include an international conservation reserve type program to reduce the current global surplus and control soil erosion? Would you support such action?

Answer 4: No. The Administration supports efforts to control soil erosion, but does not believe that the International Wheat Convention offers the best forum for international discussion of this topic. The Administration has suggested that efforts towards reducing the current surplus production of wheat and other grains should be focussed primarily under the current round of negotiations of the General Agreement on Tariffs and Trade.

Question 5: Why does Senate's version of the International Wheat Agreement, 1986, show that the United States has 311 votes in the International Wheat Council, while other more recent versions show that the United States has either 320 or 319 votes?

Answer 5: This difference in votes is due to changes caused by a continuous updating of the membership list. By long standing tradition, the total number of votes is 2000; thus from year to year, as new members join, or some drop out, the votes are reallocated proportionally. This information is stated in fuller detail in Article 12, Paragraphs 1 to 9, of the Wheat Trade Convention, 1986.